

EAST JORDAN HOUSING COMMISSION
EAST JORDAN, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name East Jordan Housing Commission		County Charlevoix	
Fiscal Year End December 31, 2006		Opinion Date August 17, 2007		Date Audit Report Submitted to State September 6, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Control and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue			City Traverse City	State MI
			Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

EAST JORDAN HOUSING COMMISSION
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Independent Auditor's Report

Board of Commissioners
East Jordan Housing Commission
East Jordan, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the East Jordan Housing Commission, Michigan, a component unit of the City of East Jordan, as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the East Jordan Housing Commission, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

East Jordan Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2007, on my consideration of East Jordan Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis comparison information on pages 4 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise East Jordan Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

Sam E. Handberg, CPA, PC

August 17, 2007

EAST JORDAN HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2006
(Unaudited)

As management of the East Jordan Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the East Jordan Housing Commission's financial activities for the fiscal year ended December 31, 2006. This discussion and analysis letter of the East Jordan Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2006 were \$550,268. The net assets decreased by \$3,830, a slight decrease of less than 1% from the prior year.

Revenues and contributions for the Commission were \$176,627 for the year ended December 31, 2006. This was a increase of \$6,490 or 3.8% from the prior year.

Expenses for the Commission were \$180,457 for the year ended December 31, 2006. This was a increase of \$23,119 or 14.7% from the prior year.

HUD operating grant subsidies were \$42,785 for the year ended December 31, 2006. This was a increase of \$15,433 or 56.4% from the prior year. Capital contributions for the Commission were \$46,064 (of which \$7,015 were used for operating purposes) for the year ended December 31, 2006. This was a decrease of \$10,154 or 18.1% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

East Jordan Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 27 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$550,268 at the close of the year ended December 31, 2006 down from \$554,098 in 2005. The decrease in net assets of \$3,830 was due to the change in net assets for the year.

The unrestricted net assets were \$132,538 as of December 31, 2006. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS DECEMBER 31,

	2006	2005	Net Change
Current and other assets	\$ 161,661	\$ 169,698	\$ (8,037)
Capital assets	417,730	416,017	1,713
Total assets	<u>\$ 579,391</u>	<u>\$ 585,715</u>	<u>\$ (6,324)</u>
Current liabilities	\$ 21,331	\$ 26,517	\$ (5,186)
Noncurrent liabilities	7,792	5,100	2,692
Total liabilities	<u>29,123</u>	<u>31,617</u>	<u>(2,494)</u>
Net assets:			
Invested in capital assets	417,730	416,017	1,713
Unrestricted net assets	<u>132,538</u>	<u>138,081</u>	<u>(5,543)</u>
Total net assets	<u>550,268</u>	<u>554,098</u>	<u>(3,830)</u>
Total liabilities and net assets	<u>\$ 579,391</u>	<u>\$ 585,715</u>	<u>\$ (6,324)</u>

Current and other assets decreased, in part, due to reducing the accounts payable as of December 31, 2006 by \$6,123.

Current liabilities decreased, in part, due the accounts payable balance decreasing by \$6,123 from the prior year.

Noncurrent liabilities increased by \$2,692, because of an increase in the noncurrent portion of accrued compensated absences of \$2,692 from the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The slight increase of \$1,713 in capital assets, is due to the depreciation expense of \$39,049, netted against capital outlays of \$38,868 and an adjustment of \$2,020 to accumulated depreciation.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$6,490, in part, due to beginning renting a house located on 109 McKenzie, and HUD grants increasing by \$5,279 from the prior year.

FINANCIAL ANALYSIS (CONTINUED)**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
DECEMBER 31,**

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 75,494	\$ 74,763	\$ 731
Interest income	5,014	9,182	(4,168)
Other income	7,451	2,622	4,829
Loss on sale of fixed assets (181)		(181)
HUD operating grants	49,800	33,626	16,174
Capital contributions	<u>39,049</u>	<u>49,944</u>	<u>(10,895)</u>
 Total Revenues and Contributions	 <u>176,627</u>	 <u>170,137</u>	 <u>6,490</u>
Expenses			
Personal services	76,274	64,122	12,152
Utilities	25,705	24,177	1,528
Operations and maintenance	12,912	13,798	(886)
Insurance	7,581	7,289	292
Payment in lieu of taxes	4,042	4,274	(232)
Other supplies and expenses	16,788	13,212	3,576
Depreciation	<u>37,155</u>	<u>30,466</u>	<u>6,689</u>
 Total Expenses	 <u>180,457</u>	 <u>157,338</u>	 <u>23,119</u>
 Change in Net Assets	 <u>\$ (3,830)</u>	 <u>\$ 12,799</u>	 <u>\$ (16,629)</u>

Total expenses for the Commission increased by \$23,119 due to increases in the hours of the executive director and the maintenance position. Also, the depreciation expense increased by \$6,689, due, in part, to the depreciation \$5,498 of building improvements placed in service during the prior year

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$ 42,785	\$ 27,352	\$ 15,433	(56.4%)
Capital Fund Program	<u>46,064</u>	<u>56,218</u>	<u>(10,154)</u>	<u>(18.1%)</u>
Total	<u>\$ 88,849</u>	<u>\$ 83,570</u>	<u>\$ 5,279</u>	<u>6.3%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. Capital Fund Program grants are used for both operating costs and for capital improvements. HUD has implemented a new formula for calculating the operating subsidy, therefore, the reason for the \$15,433 increase from the prior year.

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended December 31, 2006 was prepared. The Housing Commission within budget with expenditures.

OPERATIONAL HIGHLIGHTS

The East Jordan Housing Commission Lakeview Manor Senior Apartment Complex was built over 30 years ago and has not had an extensive modernization since then. We are currently doing just that --- opening the kitchen, dining, and living area, putting in new flooring, new cupboards, new electrical and plumbing, and modernizing the bathrooms of each apartment as well. Presently, the bedroom is getting new carpeting and painting, as well as a ceiling fan for air movement, which aids in both heating and cooling of the apartments.

There is also a great need for additional Senior Housing in the East Jordan area and so we are making plans to have additional apartments built on property that we have purchased (which adjoins the Lakeview Manor Property). We purchased a house on Echo Street with one lot, a house on McKenzie with three lots, and most recently, a house on McKenzie with two lots. This gives us room to build apartments and have additional parking for residents.

We now have a Maintenance Department who can do the above mentioned work as each apartment becomes open, which saves us money --- rather than hiring a building contractor, our Maintenance Man can do the tearing out and remodeling of these apartments.

We continue to strive for a safe, clean, and decent Complex for our Residents.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

CAPITAL ASSETS

Capital Assets - The East Jordan Housing Commission's investment in capital assets, as of December 31, 2006 amounts to \$3,488,127 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
DECEMBER 31,**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>
Land	\$ 169,843	\$ 169,843	\$
Building	785,321	757,036	28,285
Furniture, equip. & machinery-dwelling	17,671	19,204	(1,533)
Furniture, equip. & machinery-admin.	39,094	34,802	4,292
Building improvements	84,711	84,711	
Construction in progress	<u>18,536</u>	<u>12,732</u>	<u>5,804</u>
	1,115,176	1,078,328	36,848
Accumulated depreciation (<u>697,446</u>) (<u>662,311</u>) (<u>35,135</u>)			
Total	<u>\$ 417,730</u>	<u>\$ 416,017</u>	<u>\$ 1,713</u>

The total increase in the Commission's capital assets for the current fiscal year was \$1,713 or less than 1% in terms of net book value. The capital expenditures during the current fiscal year included \$4,727 in carpeting, \$15,716 rehabing apartments, \$5,592 upgrading heating & electrical, \$2,250 for gas valves/vent dampers for two boilers, \$669 for a range and refrigerator, \$4,292 for computer equipment and lawn maintenance equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Virginia Carey, Executive Director
451 Water Street
East Jordan, Michigan 49727

FINANCIAL STATEMENTS

EAST JORDAN HOUSING COMMISSION
STATEMENT OF NET ASSETS
December 31, 2006
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ASSETS

Current Assets:

Cash	\$ 26,674
Receivables	28,085
Investments-unrestricted	106,110
Prepaid expenses	<u>792</u>

Total Current Assets	<u>161,661</u>
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Capital Assets:

Land	169,843
Buildings	785,321
Equipment	56,765
Building improvements	84,711
Construction work in progress	<u>18,536</u>
	1,115,176

Less: accumulated depreciation	<u>(697,446)</u>
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Net Capital Assets	<u>417,730</u>
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Total Assets	<u><u>\$ 579,391</u></u>
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See notes to financial statements

EAST JORDAN HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)

December 31, 2006

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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 12,054
Tenant security deposit liability	2,650
Accrued expenses	6,445
Deferred revenues	<u>182</u>

Total Current Liabilities	21,331
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Noncurrent Liabilities:

Accrued compensated absences	<u>7,792</u>
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Total Liabilities	<u>29,123</u>
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Net Assets:

Invested in capital assets	417,730
Unrestricted net assets	<u>132,538</u>

Total Net Assets	<u>550,268</u>
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Total Liabilities and Net Assets	<u><u>\$ 579,391</u></u>
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See notes to financial statements

EAST JORDAN HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended December 31, 2006

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OPERATING REVENUES:

Dwelling rent	\$ <u>75,494</u>
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OPERATING EXPENSES:

Administration	73,647
Tenant services	242
Utilities	25,705
Ordinary maintenance and operation	29,995
General expenses	13,713
Depreciation	<u>37,155</u>

Total operating expenses	<u>180,457</u>
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Operating income(loss)	<u>(104,963)</u>
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NONOPERATING REVENUES:

Investment interest income	5,014
Other income	7,451
Loss on sale of fixed assets	(181)
Operating grants	49,800
Capital grants	<u>39,049</u>

Total nonoperating revenues	<u>101,133</u>
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Change in net assets	(3,830)
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Prior period adjustments	722
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Net assets, beginning	<u>553,376</u>
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Net assets, ending	<u><u>\$ 550,268</u></u>
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See notes to financial statements

EAST JORDAN HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2006
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 75,917
Cash payments to other suppliers of goods and services	(71,159)
Cash payments to employees for services	(70,495)
Cash payments for in lieu of taxes	<u>(4,274)</u>
Net cash (used) by operating activities	<u>(70,011)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

Tenant security deposits	50
Operating grants	39,451
Other revenue	<u>7,507</u>
Net cash provided by noncapital financing activities	<u>47,008</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Loss on sale of fixed assets	(181)
Capital grants	39,049
Payments for capital acquisitions	<u>(38,868)</u>
Net cash provided by capital and related financing activities	<u> </u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased	(29,971)
Receipts of interest and dividends	<u>5,864</u>
Net cash (used) by investing activities	<u>(24,107)</u>

Net increase(decrease) in cash	(47,110)
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Cash, beginning	<u>73,784</u>
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Cash, ending	<u><u>\$ 26,674</u></u>
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EAST JORDAN HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended December 31, 2006

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RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(104,963)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	37,155
Prior period adjustments	722
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	395
Prepaid expenses and other assets	(54)
Increase (decrease) in liabilities:	
Accounts payable	(6,123)
Accrued wages/payroll taxes	344
Accrued compensated absences	2,717
Accrued payments in lieu of taxes	(232)
Deferred revenues	<u>28</u>
Net cash (used) by operating activities	<u><u>\$(70,011)</u></u>

See notes to financial statements

EAST JORDAN HOUSING COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2006
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NOTE 1: Summary of Significant Accounting Policies

East Jordan Housing Commission(Housing Commission) is a component unit of the City of East Jordan, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of East Jordan on February 7, 1967, consisting of a five member board appointed by the City Mayor. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: East Jordan Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$600 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Furniture, equipment and machinery	3 - 20 years
Building improvements	5 - 20 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the fiscal year ended December 31, 2006, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at December 31, 2006. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 27,152	\$ 27,152	\$	\$	\$ 26,525
Savings	124	124			124
Total Deposits	<u>\$ 27,276</u>	<u>\$ 27,276</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,649</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2006. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificate of deposits	<u>\$106,110</u>	<u>\$</u>	<u>\$</u>	<u>\$ 106,110</u>	<u>\$106,110</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 26,649
Petty cash	25
Investments	<u>106,110</u>
Total	<u>\$ 132,784</u>
Cash and cash equivalents:	
Enterprise activities	\$ 133,411
Enterprise activities - checks written in excess of deposits	<u>(627)</u>
Total	<u>\$ 132,784</u>

3(b) Accounts Receivable

Receivables detail at December 31, 2006, is as follows:

Accounts receivable-HUD	\$ 27,096
Miscellaneous	270
Tenant accounts receivable	577
Accrued interest receivable	<u>142</u>
	<u>\$ 28,085</u>

3(c) Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/06</u>
Low Rent Program				
Land	\$ 169,843	\$	\$	\$ 169,843
Buildings	698,919	54,983		753,902
Furniture, equip. & machinery - dwellings	17,548	776	(2,202)	16,122
Furniture, equip. & machinery - administration	31,766	3,036		34,802
Building improvements	<u>84,711</u>			<u>84,711</u>
	1,002,787	<u>\$ 58,795</u>	<u>\$ (2,202)</u>	1,059,380
Less accumulated depreciation	<u>(658,992)</u>	<u>\$ (34,339)</u>	<u>\$</u>	<u>(693,331)</u>
Total	<u>\$ 343,795</u>			<u>\$ 366,049</u>
Capital Fund Program				
Buildings	\$ 58,117	\$ 28,285	\$ 54,983	\$ 31,419
Furniture, equip. & machinery - dwellings	1,656	669	776	1,549
Furniture, equip. & machinery - administration	3,036	4,292	3,036	4,292
Construction in progress	<u>12,732</u>	<u>5,804</u>		<u>18,536</u>
	75,541	<u>\$ 39,050</u>	<u>\$ 58,795</u>	55,796
Less accumulated depreciation	<u>(3,319)</u>	<u>\$ (4,088)</u>	<u>\$ 3,292</u>	<u>(4,115)</u>
Total	<u>\$ 72,222</u>			<u>\$ 51,681</u>
Combined Totals				<u>\$ 417,730</u>

3(d) Accounts Payable

Payable detail at December 31, 2006, is as follows:

Accounts payable - vendors	\$ 8,012
Accounts payable - other government - PILOT	<u>4,042</u>
	<u>\$ 12,054</u>

3(e) Accrued expenses

Accrued wage/payroll taxes payable	\$ 5,598
Accrued compensated absences-current portion	<u>847</u>
	<u>\$ 6,445</u>

3(f) Interprogram Transactions and Balances

The Capital Fund Program transferred \$155 to the Low Rent Program during the fiscal year ending December 31, 2006.

The capital fund program owed \$21,311 to the low rent program as of December 31, 2006.

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission participates with the City of East Jordan in a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer and employee contributions with complete vesting after 10 years of service. At December 31, 2006, the date of the last completed actuarial evaluation, the City of East Jordan and the Housing Commission's combined present value of accrued benefits for retirement benefits was \$2,663,309 (employer and employee combined). Assets available to meet this obligation were \$2,670,595, for an underfunded present value of accrued benefits of \$(7,286). The total required employer contribution was \$86,268 and each employee contributes 3% of compensation. A copy of the MERS report can be obtained from MERS by calling (800) 767-6377 or further details are available from East Jordan Housing Commission, 451 Water Street, East Jordan, MI 49727.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

4(c) Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to

inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 5: Prior Period Adjustments

Low Rent Program

Reclassify prior year checks	\$ 722
Close/transfer 2002 CFP	25,316
Close/transfer 2003 CFP	<u>30,186</u>
	<u>\$ 56,224</u>

Capital Fund Program

Close/transfer 2002 CFP	\$ (25,316)
Close/transfer 2003 CFP	<u>(30,186)</u>
	<u>\$ (55,502)</u>

SUPPLEMENTARY INFORMATION

EAST JORDAN HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 26,674	\$
Receivables:		
HUD	5,785	21,311
Miscellaneous	270	
Tenants-dwelling rents	577	
Accrued interest	142	
Investments-unrestricted	106,110	
Prepaid expenses and other assets	792	
Interprogram due from	<u>21,311</u>	<u> </u>
Total current assets	<u>161,661</u>	<u>21,311</u>
Capital assets:		
Land	169,843	
Buildings	753,902	31,419
Equipment	50,924	5,841
Building improvements	84,711	
Construction in progress	<u> </u>	<u>18,536</u>
	1,059,380	55,796
Less accumulated depreciation	<u>(693,331)</u>	<u>(4,115)</u>
Net capital assets	<u>366,049</u>	<u>51,681</u>
Total Assets	<u>\$ 527,710</u>	<u>\$ 72,992</u>

Totals

\$ 26,674

27,096

270

577

142

106,110

792

21,311

182,972

169,843

785,321

56,765

84,711

18,536

1,115,176

(697,446)

417,730

\$ 600,702

EAST JORDAN HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)

December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 12,054	\$
Tenant security deposit liability	2,650	
Accrued expenses	6,445	
Deferred revenues	182	
Interprogram due to	<u> </u>	<u>21,311</u>
Total current liabilities	21,331	21,311
Noncurrent liabilities:		
Accrued compensated absences	<u>7,792</u>	<u> </u>
Total liabilities	<u>29,123</u>	<u>21,311</u>
Net assets:		
Invested in capital assets	366,049	51,681
Unrestricted net assets	<u>132,538</u>	<u> </u>
Total net assets	<u>498,587</u>	<u>51,681</u>
Total Liabilities and Net Assets	<u><u>\$ 527,710</u></u>	<u><u>\$ 72,992</u></u>

Totals

\$ 12,054
2,650
6,445
182
21,311

42,642

7,792

50,434

417,730

132,538

550,268

\$ 600,702

EAST JORDAN HOUSING COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS BY PROGRAM
Year Ended December 31, 2006
=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 75,494	\$ _____
OPERATING EXPENSES:		
Administration	69,672	3,975
Tenant services	242	
Utilities	25,705	
Ordinary maintenance and operation	27,110	2,885
General expenses	13,713	
Depreciation	<u>33,067</u>	<u>4,088</u>
Total operating expenses	<u>169,509</u>	<u>10,948</u>
Operating income(loss)	<u>(94,015)</u>	<u>(10,948)</u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	155	(155)
Investment interest income	5,014	
Other income	7,451	
Loss on sale of fixed assets	(181)	
Operating grants	42,785	7,015
Capital grants	<u> </u>	<u>39,049</u>
Total nonoperating revenues (expenses)	<u>55,224</u>	<u>45,909</u>
Change in net assets	(38,791)	34,961
Prior period adjustments, equity transfers, correction of errors	56,224	(55,502)
Net assets, beginning	<u>481,154</u>	<u>72,222</u>
Net assets, ending	<u>\$ 498,587</u>	<u>\$ 51,681</u>

Totals

\$ 75,494

73,647

242

25,705

29,995

13,713

37,155

180,457

(104,963)

5,014

7,451

(181)

49,800

39,049

101,133

(3,830)

722

553,376

\$ 550,268

EAST JORDAN HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 75,917	\$
Cash payments to other suppliers of goods and services	(64,299)	(6,860)
Cash payments to employees for services	(70,495)	
Cash payments for in lieu of taxes	<u>(4,274)</u>	
Net cash (used) by operating activities	<u>(63,151)</u>	<u>(6,860)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	155	(155)
Interprogram receivables/payables	(4,564)	4,564
Tenant security deposits	50	
Operating grants	37,000	2,451
Other revenue	<u>7,507</u>	
Net cash provided by noncapital financing activities	<u>40,148</u>	<u>6,860</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Loss from sale of fixed assets	(181)	
Capital grants		39,049
Payments for capital acquisitions	<u>181</u>	<u>(39,049)</u>
Net cash provided(used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased	(29,971)	
Receipts of interest and dividends	<u>5,864</u>	
Net cash provided by investing activities	<u>(24,107)</u>	
Net increase(decrease) in cash	(47,110)	
Cash, beginning	<u>73,784</u>	
Cash, ending	<u>\$ 26,674</u>	<u>\$</u>

Totals

\$ 75,917

(71,159)

(70,495)

(4,274)

(70,011)

50

39,451

7,507

47,008

(181)

39,049

(38,868)

(29,971)

5,864

(24,107)

(47,110)

73,784

\$ 26,674

EAST JORDAN HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended December 31, 2006

=====

	Low Rent Program	Capital Fund Program
	<u>14.850a</u>	<u>14.872</u>

RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED(USED)

BY OPERATING ACTIVITIES:

Operating income(loss)	\$(94,015)	\$(10,948)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	33,067	4,088
Prior period adjustments	722	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	395	
Prepaid expenses and other assets	(54)	
Increase (decrease) in liabilities:		
Accounts payable	(6,123)	
Accrued wages/payroll taxes	344	
Accrued compensated absences	2,717	
Accrued payments in lieu of taxes	(232)	
Deferred revenues	<u>28</u>	
Net cash (used) by operating activities	<u>\$(63,151)</u>	<u>\$(6,860)</u>

Totals

\$ (104,963)

37,155
722

395

(54)

(6,123)
344
2,717

(232)
28

\$ (70,011)

EAST JORDAN HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2006
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850a	\$ 42,785
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	<u>46,064</u>
	Total		<u>\$ 88,849</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

EAST JORDAN HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2006

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 24,024	\$
114	Cash-tenant security deposits	<u>2,650</u>	<u></u>
100	Total cash	<u>26,674</u>	<u></u>
	Receivables:		
122	A/R-HUD other projects	5,785	21,311
125	A/R-miscellaneous	270	
126	A/R-tenants-dwelling rents	577	
129	Accrued interest receivable	<u>142</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>6,774</u>	<u>21,311</u>
	Current Investments:		
131	Investments-unrestricted	<u>106,110</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	792	
144	Interprogram due from	<u>21,311</u>	<u></u>
	Total other current assets	<u>22,103</u>	<u></u>
150	Total current assets	<u>161,661</u>	<u>21,311</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	169,843	
162	Buildings	753,902	31,419
163	Furn, equip & mach-dwellings	16,122	1,549
164	Furn, equip & mach-admin.	34,802	4,292
165	Building improvements	84,711	
166	Accumulated depreciation	(693,331)	(4,115)
167	Construction in progress	<u></u>	<u>18,536</u>
160	Total fixed assets, net of accumulated depreciation	<u>366,049</u>	<u>51,681</u>
180	Total noncurrent assets	<u>366,049</u>	<u>51,681</u>
190	Total Assets	<u>\$ 527,710</u>	<u>\$ 72,992</u>

Totals

\$ 24,024
2,650

26,674

27,096
270
577
142

28,085

106,110

792
21,311

22,103

182,972

169,843
785,321
17,671
39,094
84,711
(697,446)
18,536

417,730

417,730

\$ 600,702

EAST JORDAN HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2006
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 8,012	\$
321	Accrued wage/payroll taxes payable	5,598	
322	Accrued compensated absences-current portion	847	
333	Accounts payable-other government	4,042	
341	Tenant security deposits	2,650	
342	Deferred revenues	182	
347	Interprogram due to	<u> </u>	<u>21,311</u>
310	Total current liabilities	21,331	21,311
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>7,792</u>	<u> </u>
300	Total liabilities	<u>29,123</u>	<u>21,311</u>
	Equity:		
508.1	Invested in capital assets	<u>366,049</u>	<u>51,681</u>
508	Total equity	366,049	51,681
	Net Assets:		
512.1	Unrestricted net assets	<u>132,538</u>	<u> </u>
513	Total equity/net assets	<u>498,587</u>	<u>51,681</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 527,710</u>	<u>\$ 72,992</u>

Totals

\$ 8,012

5,598

847

4,042

2,650

182

21,311

42,642

7,792

50,434

417,730

417,730

132,538

550,268

\$ 600,702

EAST JORDAN HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 75,494	\$
706	HUD PHA grants	42,785	7,015
706.1	Capital grants		39,049
711	Investment income-unrestricted	5,014	
715	Other revenue	7,451	
716	Gain/loss on sale of fixed assets	(181)	
700	Total revenue	<u>130,563</u>	<u>46,064</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	35,780	
912	Auditing fees	2,600	
914	Compensated absences	2,718	
915	Employee benefit contributions-adm.	20,693	
916	Other operating-administrative	7,881	3,975
	Tenant Services:		
924	Tenant services-other	242	
	Utilities:		
931	Water	6,720	
932	Electricity	8,044	
933	Gas	10,941	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	15,869	
942	Ordinary maint & oper-mat'ls & other	2,373	160
943	Ordinary maint & oper-contract costs	7,654	2,725
945	Employee benefit contributions- ordinary maintenance	1,214	
	General expenses:		
961	Insurance premiums	7,581	
962	Other general expenses	2,090	
963	Payments in lieu of taxes	<u>4,042</u>	
969	Total operating expenses	<u>136,442</u>	<u>6,860</u>
970	Excess operating revenue over operating expenses	<u>(5,879)</u>	<u>39,204</u>

<u>Totals</u>	
\$	75,494
	49,800
	39,049
	5,014
	7,451
	<u>(181)</u>
	<u>176,627</u>

35,780
2,600
2,718
20,693
11,856

242

6,720
8,044
10,941

15,869
2,533
10,379

1,214

7,581
2,090
<u>4,042</u>

143,302

33,325

EAST JORDAN HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended December 31, 2006
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>33,067</u>	<u>4,088</u>
	Total other expenses	<u>33,067</u>	<u>4,088</u>
900	Total expenses	<u>169,509</u>	<u>10,948</u>
	Other Financing Sources (Uses)		
	Operating transfers in(out)	<u>155</u>	<u>(155)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(38,791)	34,961
1103	Beginning Net Assets	481,154	72,222
1104	Prior period adjustments, equity transfers, and correction of errors	<u>56,224</u>	<u>(55,502)</u>
	Ending Net Assets	<u>\$ 498,587</u>	<u>\$ 51,681</u>

Totals

37,155

37,155

180,457

(3,830)

553,376

722

\$ 550,268

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
East Jordan Housing Commission
East Jordan, Michigan

I have audited the financial statements of the business-type activities of the East Jordan Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated August 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
East Jordan Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated July 17, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Staudt, CPA

August 17, 2007

EAST JORDAN HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2006

EAST JORDAN HOUSING COMMISSION
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DECEMBER 31, 2006

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
East Jordan Housing Commission

I have audited the financial statements of the East Jordan Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated August 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were three audit adjusting journal entries, and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 6).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Sam E. Landolt, CPA

August 17, 2007

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
East Jordan Housing Commission

I have audited the financial statements of the East Jordan Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated August 17, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 17, 2007

EAST JORDAN HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
December 31, 2006
=====

Tenant File Testing

We selected five tenant files at random to test. We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in the tenant file or incorrect	0
3. Incorrect Verification of Income	1
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	2
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Proof of Social Security Number Verification missing	0
10. Flat Rent/Income Based Rent Choice missing or incorrect	5
11. Notice of Rent Adjustment missing or incorrect	0
12. Criminal Background Check not done, not documented, or it was in the file	2
13. Declaration of 214 Status missing or incorrect	0
14. Check for Previous Eviction from Public Housing not done or incorrect	0
15. Annual Family Composition Review missing or incorrect	<u>2</u>
Total	<u><u>13</u></u>

Out of a possible 75, there were 13 exceptions from this test.
This represents an exception rate of 17.33%

EAST JORDAN HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

December 31, 2006

=====

Tenant File Testing (continued)

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	0026	x		x					x	
2	0020								x	
3	0014			x					x	
4	0007	x							x	
5	0012								x	
Number of Hits		<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>
Percentage of Hits		<u>40%</u>	<u>0%</u>	<u>40%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

We recommend that the East Jordan Housing Commission continue the process of correcting the tenant files where possible. It is further recommended that a Flat Rent/Income Based Rent Choice be given to each tenant annually. Proper written evidence that is signed and dated by the tenant documenting this choice should be placed in the tenant file.

EAST JORDAN HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
December 31, 2006
=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

It was not necessary to make any adjusting journal entries